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SUBJECT: STALE BUT NOT YET ROTTED: AGRICULTURE IN WESTERN ALGERIA

REF: A. ALGIERS 3

[1](#)B. 07 ALGIERS 1214

[1](#)C. 07 ALGIERS 367

[1](#)1. SUMMARY: Algeria's agriculture sector has been stagnant for years because of a combination of factors that includes decades of Soviet-style government agrarian policies, underdeveloped industrial transportation systems, drought, and terrorist activity that disrupted business and distracted government. Nonetheless, we have found examples of food producers on the cusp of expansion that could spur economic development in Algeria's western provinces, add to Algeria's non-hydrocarbons exports, and open new markets for the sale of American machinery and services. Producers of olives, fish and wine are looking for new niche markets, but modernization remains slow, and large-scale production would likely require significant foreign investment. END SUMMARY.

CAPACITY PROBLEMS PLAGUE ALGERIA

[1](#)2. Algeria's agriculture sector has been stagnant, if not decaying, for many years. As we have previously reported, Algeria imports a significant volume of the food it consumes, and will spend an estimated nine percent of its 2008 budget on food imports (ref A). In recent years Algeria has privatized many aspects of its food production and import system, but continues to manage supply shortages and price fluctuations with Soviet-era product boards and commissions (refs A, B, C).

AIN TEMOUCHENT: ORGANIC BY DEFAULT

[1](#)3. Producers and government officials in both Algiers and in the western wilaya (province) of Ain Temouchent told us recently that Algeria requires new technologies and strategies for mass production to modernize its agriculture sector effectively. Yet, there are examples in Ain Temouchent and the surrounding region that point to potential market expansions. According to Houari Otmane, Director of Agriculture in Ain Temouchent, the region is ranked 13th in Algeria for agricultural production in general, and first in wine. The majority of the region's population is linked to agriculture, including production of cereals (durum wheat, soft wheat, and chickpeas), livestock (150,000 sheep and

12,000 beef cows) and wine. Agriculture in the region is essentially organic by default, because farmers cannot afford to buy large quantities of pesticides and fertilizers. Nonetheless, Otmane and others involved in agriculture told us that they would prefer to see investments in large-scale agribusiness rather than efforts to prop up small farms.

FISHING FOR NEW MARKETS AND TECHNOLOGY

¶4. Ain Temouchent also produces 13 percent of the fish processed in Algeria. According to Mostefa Bensahli, Ain Temouchent's Director of Fisheries, the biomass of fish in the wilaya is estimated at 60,000 tons per year, while production in 2007 reached 27,000 tons. There are two fishing ports in the province. Beni Saf, built in 1890, is the older port and boasts an annual production of 16,000 tons of fish. Bouzedjar was built in 2000 and has a total production of 15,000 tons of fish, expected to expand to 20,000 tons in the coming years. The two ports combined can handle up to 445 fishing boats. According to Ahmed Trari Tani, Director of Western Fishing Ports, ninety percent of Ain Temouchent's production is commercialized domestically, with the remaining 10 percent, including both whitefish and shellfish, exported to Mediterranean countries, primarily France, Italy and Spain. Tani asserted that Algeria does not export seafood to Asian markets.

¶5. Fish from Ain Temouchent is considered to be of a fairly high quality, but the sector lacks freezing and storage capacity as well as processing plants to exploit the region's fishing efficiently. Marketing remains a significant challenge as well: Algeria's fish products are all but unknown in foreign markets. In spite of those

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hurdles. two pilot projects are underway in the region to develop modern aquaculture. The projects, one located in Tafna and the other in Bouzedjar, utilize sea cages for sea-beams and wolf fish. Similar projects are under development. In addition, a pilot project for freshwater aquaculture, mainly for carp, is in development in the wilaya of Saida. Tani added that the fishing sector is open to foreign investment and partnership.

¶6. In addition to fish production, the region supports related economic activities such as shipbuilding, but that sector is in sharp need of modernization. According to Tani, at least 11 shipbuilding workshops in the Ain Temouchent region use traditional building methods. Local officials told us they would prefer to maintain the region's skill and experience in wood shipbuilding while upgrading equipment and developing new skills through training across the sector. They want to adopt new fishing technologies, including the use of steel and fiberglass construction, and the use of GPS for safer and more efficient boat operations. Both Benshali and Tani told us that they would welcome partnerships, exchanges and cooperation in order to develop the region's fishery. (NOTE: We have an exchange project under consideration in the area of wooden shipbuilding, with two proposed candidates from Ain Temouchent. END NOTE.)

NEW HOPE FOR OLD VINEYARDS

¶7. Seventy percent of Algeria's wine industry is controlled by the state-owned company ONCV (National Office of Wine Cultivation). Created in 1968, it has ten subsidiaries and employs some 6000 workers. While ONCV has vineyards across Algeria, roughly a third of its operations are centered in the west, where three-fourths of Algeria's wine is produced. Eighty-five percent of ONCV wine is consumed domestically, and 15 percent (approximately one million bottles per year) is exported to Europe and South Africa.

¶8. As with most of Algeria's agriculture sector, the wine

industry has suffered over the years since independence. In 1961, Algeria cultivated 360,000 hectares of vines and was the sixth-largest producer of wine in the world. Today, with only 85,000 hectares in cultivation, Algeria is ranked 19 among global wine producers. According to ONCV CEO Madjid Ameziani, Algeria has a program to plant 5,000 new hectares of vines with an eye toward varieties popular in world markets, such as merlot. He said ONCV is also moving away from producing ordinary table wines and turning toward more prestigious varieties of higher quality. Ameziani noted that ONCV is slated for privatization and/or partnerships, and hopes that new capital will help the industry meet its greatest challenges, packaging, branding and marketing.

SPICING UP THE OLIVE MARKET

¶9. In addition to wine, the Mascara region of western Algeria hosts olive production around the community of Sig. According to olive processor Ali Elagag, the Sigoise olive was world renowned from the 1950s to 1970s, when production dropped as trees were not replanted. Since the 1980s drought has been a problem. Elagag said that olive trees should be irrigated five times a year but the region is now considered dry. Still, 90 percent of Algeria's commercial olive production is based in the west, specifically Sig and the farm belt outside the port city of Oran. Elagag said that Algerian olive producers are not competitive and need to develop their equipment and intensify production in order to gain market share in the intense Mediterranean olive oil market. In fact, Algerian producers find it difficult to compete with Spanish olives even within the domestic market. Elagag lamented that Algerian olive producers lag behind their neighbors to the west, because in Morocco the sector is developed in partnership with Spanish and French experts and investors.

¶10. Elagag owns a large plant that processes olives grown by both commercial olive producers and small-scale harvesters. He noted that olive production remains largely a part-time

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activity as growers have turned to full-time employment away from the groves in order to make ends meet. According to Said Bakhtaoui, an olive oil producer from Oran, investment is needed to transform Algeria's olive industry into a viable agribusiness. Bakhtaoui produces an olive oil tested in the United States and found to possess several properties favorable to good health. Still, he has found it difficult to market the specialty oil without greater capitalization. Even with a government program to plant 3500 hectares of olive trees since 2000, Bakhtaoui told us that private foreign investment is needed in the Oran region to bring olive production to scale, including the construction of an irrigation system based on desalinization in order to weather periods of drought.

CONCLUSION: REAPING WHAT HAS BEEN SOWN

¶11. Algeria's agriculture sector has declined dramatically in the decades since independence and the discovery of large hydrocarbon deposits. But the sector has not completely withered on the vine. Some areas, properly encouraged, could provide growth for Algeria's economy in areas outside oil and gas. Potential niche markets exist for Algerian wines, olive oil and fish, although traditional inefficient, state-run management controls remain a significant obstacle. If Algeria expands its privatization program, foreign capital and expertise might flow into the sector and allow for production on a scale necessary for market expansion. Opportunities do exist not only for American agri-investors, but for equipment and technology producers. Japan's commercial attache in Algiers told us that Japanese companies are expanding exchange programs in the fishing industry, and are looking to Algeria for both new supplies of fish and new

markets for Japanese boat technology. But, as our contacts have told us, efficient processing, packaging, and effective marketing remain the greatest challenges to Algerian producers, even in the domestic marketplace. For the time being, and despite glimmers of hope, Algerian agriculture continues to stagnate, consistently outperformed by its Mediterranean neighbors in quality, price and supply.

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